

WIRRAL COUNCIL

PENSIONS COMMITTEE

22 JANUARY 2018

SUBJECT:	POOLING UPDATE
WARD/S AFFECTED:	NONE
REPORT OF:	DIRECTOR OF PENSIONS
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report provides Members with an update on pooling arrangements relating to MPF and the Northern Pool.
- 1.2 The appendix to this report contains exempt information. This is by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of Local Government Act 1972 i.e. information relating to the financial or business affairs of any particular person (including the authority holding that information).

2.0 BACKGROUND AND KEY ISSUES

- 2.1 Following the update to Committee in November providing details of the progress report to DCLG as at 30 September 2017, the Northern Pool has yet to receive a response from DCLG.
- 2.2 A meeting of the Northern Pool Shadow Joint Committee took place on 5 December 2017. The principal ongoing work streams for the Northern Pool are set out below and are progressing well.
 - Developing a vehicle to make private equity investments on a collective basis. The governance of this vehicle is expected to operate in a similar manner to the GLIL infrastructure vehicle.
 - Procurement of a FCA regulated custodian for the pool to ensure all listed assets of the pool (i.e. internally and externally managed equities and bonds) are held within a single permanent FCA regulated entity. The custodian will also manage the calls and distributions in the Northern Pool private equity vehicle.
 - Work is underway to procure an FCA regulated operator for the GLIL infrastructure vehicle. This would allow other pools to join. GLIL currently has commitments of £1.3bn to direct infrastructure in the UK, with investments of almost £600m made to date.
 - The democratic services functions of each of the administering authorities are progressing with the creation of the Pool joint committee, with

Tameside MBC acting as lead authority. This joint committee will oversee the Pool and provide a democratic link back to the individual funds. The legal agreements setting out the governance framework of the Pool are not yet finalised as work is being undertaken to ensure that they are aligned with the governance framework of the private equity vehicle.

- Review of progress with benchmarking of performance and costs for the Pool and its constituents.

2.3 LGPS POOLING NATIONAL DEVELOPMENTS

- There are 8 pools across the LGPS, which are made up as follows:
- Northern Pool
- London CIV (the 33 London Boroughs)
- South West Funds + Environment Agency (“Brunel Pensions Partnership”)
- ‘ACCESS’ (Most of the South-East County Council funds)
- Central Pool (most of the ‘Midlands’ LGPS funds)
- ‘Border to Coast’ (The remaining northern funds + a small number of others)
- Wales
- LPP (‘the Local Pensions Partnership’ – LPFA/Lancashire + Berkshire)

2.3.1 The eight pools are at different stages of development. Two of the pools, the London CIV and LPP, are currently operational and are in the process of transitioning assets into the pools. The London CIV has not yet pooled any alternative assets.

2.3.2 All pools are required to be fully operational by 1 April 2018, which is a very challenging timescale. The Secretary of State has been clear that all assets should be invested via the pool unless there is a ‘strong value for money case for delay’.

2.3.3 With the exception of the Northern Pool and LPP, all of the other pools have at least 8 participating funds and therefore require their mandates for listed assets to be amalgamated in order to meet the scale criteria and for collective investments to be managed by a FCA regulated operating company in order to avoid being deemed to be operating an unauthorised collective investment scheme.

2.3.4 The ACCESS and Wales pools are in the process of procuring an FCA regulated operator for their pools. The other pools under development are typically ‘building’ their own operator.

2.3.5 During November it was formally announced that Berkshire Pension Fund would be joining LPP with effect from 1 April 2018.

3.0 RELEVANT RISKS

3.1 Pooling will result in fundamental changes to oversight and management of LGPS assets. It is essential that appropriate governance arrangements are put in place to ensure that Pensions Committee can exercise its responsibilities in accordance with the Council’s constitution.

4.0 OTHER OPTIONS CONSIDERED

4.1 No other options have been considered.

5.0 CONSULTATION

5.1 The Pooling consultation has been discussed with the Merseyside Directors of Finance and stakeholders have been kept informed of the pooling consultation and its implications.

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 There are no previously approved actions outstanding.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

8.1 There are none arising directly from this report. The anticipated financial costs of establishing pooling arrangements and the projected savings over the long-term are set out in the Fund's pooling submission of 15 July 2016.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(b) No because there is no relevance to equality.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are no carbon usage implications, nor any other relevant environmental issues arising from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 That Members note the report.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 Pooling will result in fundamental changes to oversight and management of LGPS assets.

REPORT AUTHOR: PETER WALLACH
Director of Pensions
telephone (0151) 2421309
email peterwallach@wirral.gov.uk

APPENDICES

BACKGROUND PAPERS/REFERENCE MATERIAL

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
An update report is brought to each Pensions Committee	